



# Reassessment

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Department of Local Government Finance  
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# Reassessment

- You should leave this presentation knowing:
  - Difference between reassessment and trending
  - General steps in reassessment
  - Status of reassessment in your county
  - Updates to cost table data and models used for this reassessment



# Reassessment

- ***Department of Local Government Finance Oversight:***

Per IC 6-1.1-4-31(a), the Department shall periodically check the conduct of a general reassessment of property.

- ***Reassessment Principles:***

The Indiana Constitution, the statutes of the Indiana General Assembly, and case law by the Indiana Courts (including the Indiana Tax Court and the Indiana Supreme Court) are the foundation of the reassessment. It does not ensure absolute and precise exactitude as to the uniformity and equality of each individual assessment.



# What is reassessment?

## Reassessment (IC 6-1.1-4-4(b))

- Inspection accomplishes the gathering of data appropriate to value the property
  - Does this property still have a free-standing garage and an in-ground pool?
  - Is the building on this property still 1,200 square feet or has it increased/decreased in size?



# What is trending?

## Trending (*i.e., annual adjustment*)

- Property values are adjusted (the adjustment can be positive or negative) on an annual basis to bring them closer to market value-in-use. The assessing official uses sales of properties in a neighborhood, area, or class of property from the previous fourteen months to determine the adjustment factor.
- In the past, assessed values were adjusted only after a reassessment, which took place as far apart as every 10 years. Trending now occurs every year. <sup>5</sup>



# Reassessment vs. Trending

- Trending was implemented to supplement, not replace, the reassessments, which current law requires every 5 years.
- Without trending, reassessments resulted in dramatic shifts in assessed values because the values of properties were typically only adjusted during a reassessment year.
- Trending requires the assessor to annually adjust the value of the property based on market value-in-use.



# How does trending work?

- Each year, the assessed value is multiplied by a neighborhood factor derived from sales data on similarly situated properties
- Values can increase. . .

2010 assessed value:	\$100,000
Neighborhood factor:	<u>x      1.1</u>
2011 assessed value:	<b>\$110,000</b>



# How does trending work?

- Or values can decrease. . .

2010 assessed value:	\$100,000
Neighborhood factor:	<u>x 0.9</u>
2011 assessed value:	<b>\$90,000</b>



# Reassessment

## ■ Reassessment Schedule:

- July 1, 2010 - Reassessment begins
- December 1, 2010 - 1/4 parcels done
- May 1, 2011 - 1/2 parcels done
- October 1, 2011 - 3/4 parcels done
- March 1, 2012 - All parcels complete



# Reassessment: Tracking Progress

- The Department tracks the monthly progress of reassessment in every county in Indiana.
- The Department gathers information regarding the number of parcels that have been inspected and the number of inspected parcels whose data has been entered into the database.
- The Department also tracks whether each county has adopted a land order setting the value of land in a county.
- If a county is significantly behind the statutory schedule, the Department has requested and in all cases received a plan from the county to get caught up.



# 2012 Reassessment Parcel Review Progress

## Progress: Parcel Review As of November 17, 2011

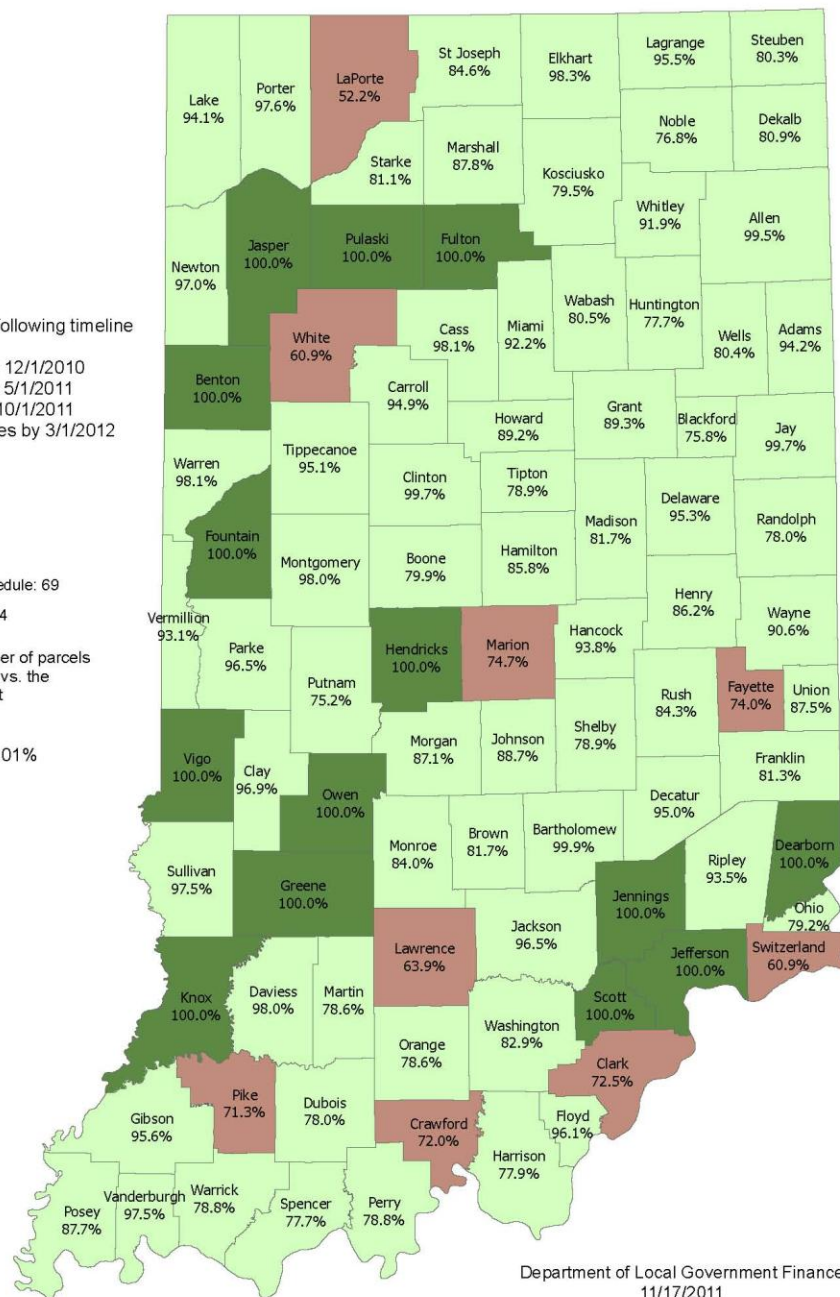
State law specifies the following timeline for reassessment:  
25% of parcels done by 12/1/2010  
50% of parcels done by 5/1/2011  
75% of parcel done by 10/1/2011  
Reassessment concludes by 3/1/2012

### Indiana Counties

- Behind Schedule: 9
- On or Ahead of Schedule: 69
- Review Complete: 14

Percentages reflect number of parcels that have been inspected vs. the county's total parcel count

Statewide Average: 87.01%





# Progress: Data Review As of November 17, 2011

## 2012 Reassessment Data Review Progress

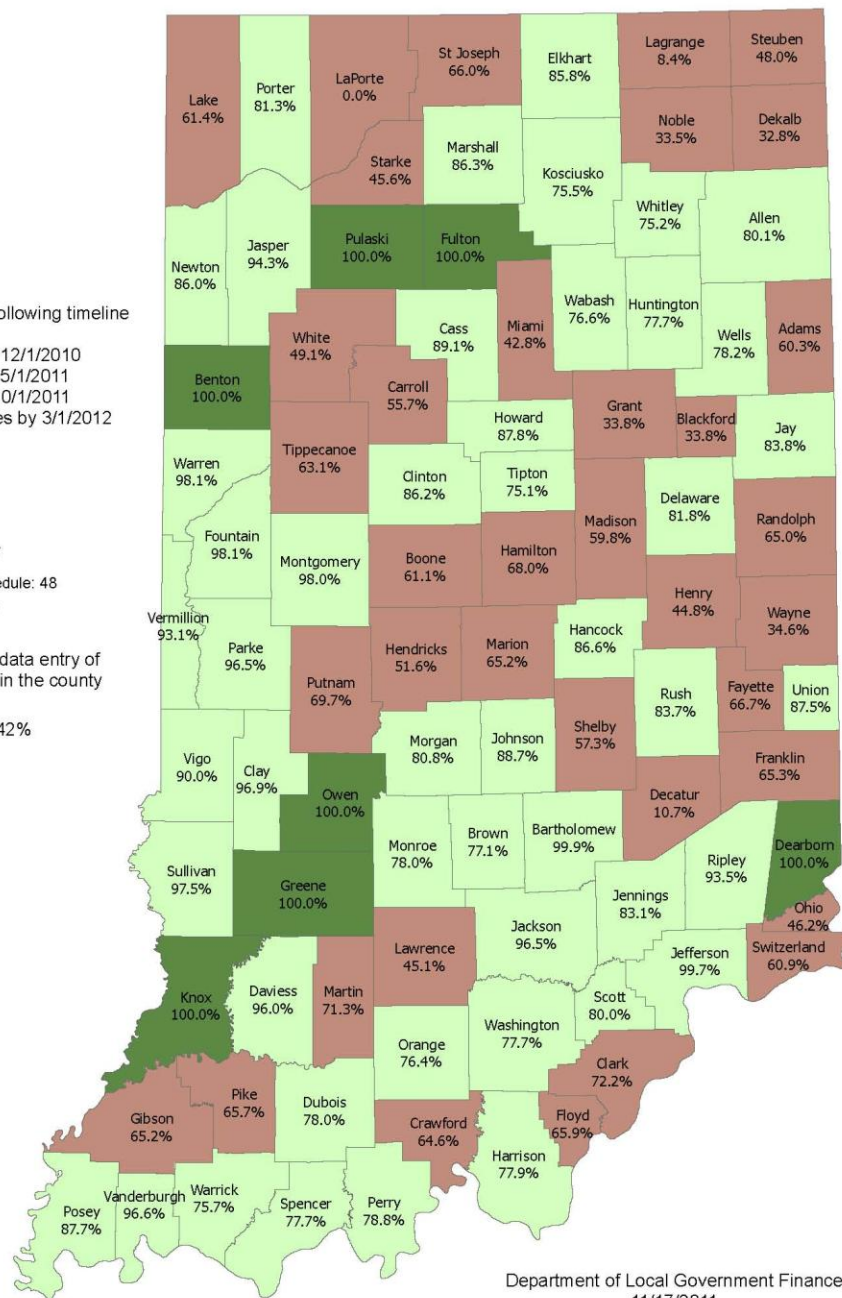
State law specifies the following timeline for reassessment:  
25% of parcels done by 12/1/2010  
50% of parcels done by 5/1/2011  
75% of parcel done by 10/1/2011  
Reassessment concludes by 3/1/2012

### Indiana Counties

- Behind Schedule: 37
- On or Ahead of Schedule: 48
- Review Complete: 7

Percentages reflect the data entry of total number of parcels in the county

Statewide Average: 70.42%

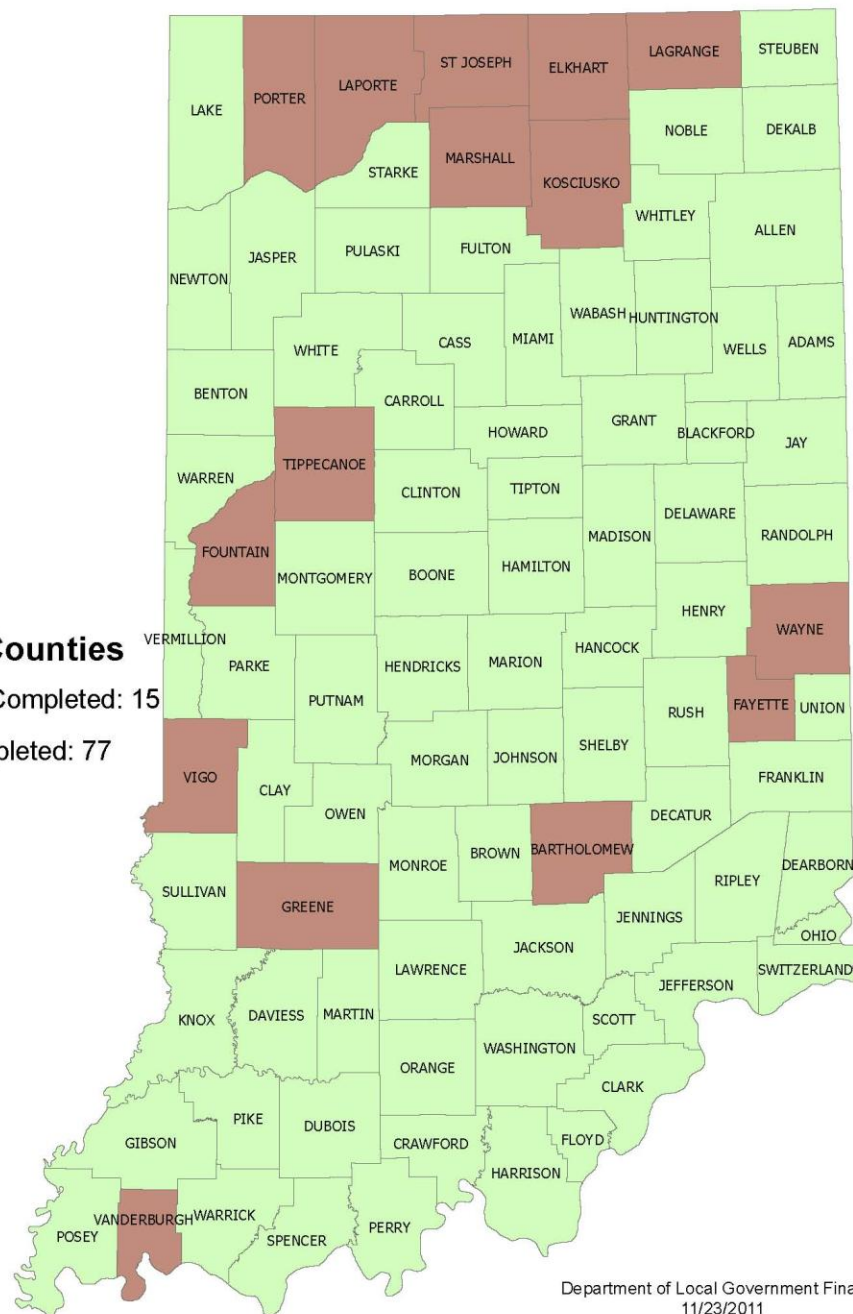




## Indiana Counties

Not Completed: 15

Completed: 77



Department of Local Government Finance  
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# Cost Tables

- Cost tables or cost schedules are used to arrive at an overall value of the property. They had not been updated in 10 years.
- Objectives in updating the cost tables.
  - Update values without requiring expensive and time-consuming software changes.
- Only one bidder for building cost estimates satisfied the requirement that the updates not involve extensive and expensive software changes.



# Cost Tables

- J. Wayne Moore, Ph.D., performed the bulk of the research and analysis required to produce the updated cost tables. He has done extensive work in the assessment field for decades and is well respected in Indiana and nationally.
- David Schwab, the Department's senior statistician is working toward his own Ph.D. under the direction of a Nobel Prize winner in economics.
- We also used experienced assessors (Barry Wood and Terry Knee) who relied on their experience and expertise in Indiana assessment practices gained over decades in the assessment field.



# Cost Tables

- The successful bidder, Craftsman, provides cost estimates for the construction industry; whereas another bidder provides estimates for the insurance industry.
- Construction bids must be reliable and more exact for the bidder to survive.
- The values of the other bidder, Marshall & Swift, would have required an extensive rule rewrite and extensive software programming to be useful.
- Craftsman not only was a superior bidder in this respect but was far less expensive.



# Cost Tables

- DLGF has calculated and published cost tables for use in the 2012 reassessment that differ from previous tables:
  - Underlying property models were updated to reflect current building practices and property use.
  - Details for residential, commercial and industrial properties were updated.
  - Economies of scale were included.
  - National cost estimates were brought in line with Indiana market.



# Cost Tables

- The 2002 cost tables are based on assumptions of building materials, design, and technology prevalent 35 years ago.
- The Department updated those assumptions to reflect current building materials, design, and technology that would provide a functionally equivalent building. This is the essence of the concept of replacement cost new (RCN).



# Cost Tables

- One updated assumption is that newer construction involves fewer partitions per square foot.
- Older construction relied more heavily on physical, walled offices. Newer construction relies more on cubicles to create individual workspace.
- As for residential buildings, basements have become increasingly more expensive to build, while the cost of a second floor has not increased at nearly the same rate.



# Cost Tables

- Economies of scale have been incorporated in the new cost tables.
- When more units of something are produced, it costs less to produce each unit.
- Construction costs rise less than proportionately to building size.
  - Lower material costs for purchases in bulk.
  - Specialized equipment for larger projects that is more efficient.
  - Learning curve effect: workers improve their productivity by regularly repeating the same kind of action.



# Cost Tables

- The real estate market has been volatile over the last ten years.
- The Case–Shiller Index published by Standard & Poor’s tracks changes in the U.S. housing market.
- The index for Chicago, the metro area nearest Indianapolis, was 119.64 in April 2002.
  - It peaked at 170.14 in May 2007.
  - In April 2011 it was 113.45, 5% below the index in April 2002.
- Based on verified economic data, the national construction values were 20% to 30% higher than Indiana’s.



# Cost Tables

- The Department took verified economic data into account and adjusted the values accordingly.
- The data was based on Indiana sales data for 28 model homes constructed by an Indiana contractor in the Indianapolis region.
- Unemployment in the construction industry, which is 50% higher than the national employment rate, means that many companies are reducing their overhead and performing projects for little to no profit.



# Cost Tables

- Assessors must review and potentially revise market factors, schedule C adjustments, effective age, obsolescence, and any other factor used to bring previous replacement cost new in line with market value-in-use.
- Resulting cost tables are more accurate and allow assessors to produce a market value-in-use that requires fewer market and property factor adjustments.



# Contact the Department

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